

SPECIAL BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Special Business Meeting)
)
_____)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, NOVEMBER 12, 2003
10:01 A.M.

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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

William J. Keese, Chairman

Robert Pernell

Arthur H. Rosenfeld

James D. Boyd

John L. Geesman

STAFF PRESENT

Robert Therkelsen, Executive Director

Arlene Ichien, Chief Counsel's Office

Song Her, Acting Secretariat

PUBLIC ADVISER

Margret J. Kim

ALSO PRESENT

Michael H. Scheible
California Air Resources Board
California Environmental Protection Agency

Joe Sparano
Western States Petroleum Association

Les Guliassi
Pacific Gas and Electric Company

Wayne Sakarias
San Diego Gas and Electric
Southern California Gas Company

Manuel Alvarez
Southern California Edison Company

Scott Hughes
National Biodiesel Board

ALSO PRESENT

Steven Kelly
Independent Energy Producers Association

Dorothy Rothrock
California Manufacturers and Technology
Association

Larry McCarthy
Cal-Tax
California Taxpayers Association

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P R O C E E D I N G S

10:01 a.m.

CHAIRMAN KEESE: I call this meeting of the Energy Commission to order. Commissioner Pernell, would you lead us in the Pledge, please.

(Thereupon the Pledge of Allegiance was recited in unison.)

CHAIRMAN KEESE: Good morning, everyone. A very brief agenda today. A very important issue today. And I'm sure the hearing won't be quite as brief as a one-item agenda might seem to be.

Item 1 is the Integrated Energy Policy Report. Commission consideration and possible adoption of the ad hoc Integrated Energy Policy Report Committee's draft Integrated Energy Policy Report.

Commissioner Boyd has spearheaded this effort. Commissioner Boyd.

COMMISSIONER BOYD: Thank you, Mr. Chairman, Commissioners.

As the Presiding Member of the 2003 Integrated Energy Policy Report, which is our first of what I presume to be a continuing series of such reports, -- anyway, as the Presiding Member, along with my Associate Member

1 Commissioner Keese, I'm pleased to participate in
2 the introduction of this item.

3 I think, as you know, the document
4 before us, and what we have is not only the draft
5 Commission report, but I believe on the table in
6 front of Mr. Therkelsen is the report. All more
7 than 3000 pages of not only the draft Commission
8 report, what seems to be the focus today, but the
9 multitude of subsidiary reports covering all the
10 aspects of the California energy situation which
11 gives all of us some idea of the magnitude of the
12 effort that all have been involved in.

13 The documents that are before us are the
14 result of many many months, more than a year's
15 worth of work by the Energy Commission and
16 stakeholders, many other government agencies. And
17 I just wanted to take a moment to thank all of
18 them for their effort.

19 Mr. Therkelsen will go into more detail
20 of the process. But I wanted to just note that
21 fact. The report, as we're going to hear more, is
22 a comprehensive look, kind of a forward look at
23 California's energy situation in all three energy
24 areas, electricity, natural gas and transportation
25 fuel.

1 The world has been dominated by the
2 energy crisis, otherwise known as the electricity
3 crisis, but our charge and our responsibility
4 involves all three areas. All three areas have
5 been problematic for California in the past three
6 to five years.

7 And the reason we're looking at these is
8 that energy, in effect, fuels the engine that
9 drives the California economy. And I know this
10 Commission is very aware of that fact and is very
11 concerned about what California's energy programs
12 are, and concerned about California's energy
13 future, and that it be solid and assured.

14 I want to thank my fellow Commissioners
15 for their participation in this process. And I
16 want to emphatically thank our staff for the work
17 that they've done.

18 Before turning the presentation over to
19 our Executive Director Mr. Therkelsen, I want to
20 take care of one housekeeping item. There is an
21 errata available on the table as you enter the
22 room -- it's been made available just today --
23 that documents a number of changes that have been
24 made to the draft Commission report that are
25 deemed substantive.

1 These changes are derived from comments
2 from stakeholders and from other agencies, as well
3 as some from our staff; and are primarily to
4 reflect corrections of statements of others who
5 have commented on what they've read of what we
6 said in our draft. Some omissions of points that
7 were made in the final round of public hearings
8 and written comments that were received.

9 And I do not believe there have been any
10 major policy additions or changes to the final
11 recommendations. There have been additional
12 recommendations made, and those will be noted in
13 our presentation. But I don't believe there's any
14 major policy changes whatsoever, or even policy
15 changes whatsoever.

16 And, of course, there will be a host of
17 punctuation and grammatical changes made when the
18 final printing takes place in the near future.

19 And with that, Mr. Chairman, I return
20 the microphone to you.

21 CHAIRMAN KEESE: Thank you. Mr.
22 Therkelsen.

23 MR. THERKELSEN: Good morning,
24 Commissioners. A couple of days ago I was looking
25 through the order that actually instituted this

1 proceeding. It was dated September 11, 2002. And
2 I will admit I got a little philosophical.

3 The order of the proceeding said that we
4 were going to be focusing on infrastructure; and
5 infrastructure needed to protect public health and
6 safety, conserve energy and other resources,
7 sustain economic growth, preserve environmental
8 quality and maintain reliability of our energy
9 systems.

10 And it struck me that energy has always
11 been a very dynamic area. Back in 1974 we had a
12 major time of uncertainty with regard to energy.
13 California had been suffering from gasoline
14 shortages; there was question about our growing
15 dependence upon imported oil for our
16 transportation fuel sector; there was major
17 concern about what was happening with respect to
18 our electricity sector, whether demand and supply
19 were going to be able to keep up with each other;
20 and whether or not we should be building more
21 power plants throughout the state to meet that
22 growing electricity demand.

23 And there was also concern about
24 dependence on one fuel, oil, for generation of our
25 electricity.

1 In regard to that, in response to that
2 partially the Legislature created the California
3 Energy Commission. And one of its functions was
4 to provide an objective analysis of the energy
5 issues that face our state; understand the trends;
6 and provide policy recommendations from a broad
7 and very balanced perspective. It was a unique
8 charter given to the Energy Commission, unique
9 among state agencies, unique among the states.

10 In 2003, when I reflected back on the
11 order, which also was a time of uncertainty, we
12 saw supply disruptions and increasing gasoline
13 prices this year as a result of imports of
14 petroleum products, disruptions in terms of
15 refineries and also disruptions in terms of
16 pipelines.

17 We had concerns expressed this year
18 about future supplies of electricity being able to
19 keep up with demand, and also aging
20 infrastructure, aging power plants.

21 We've also had concern expressed this
22 year about our dependence upon one source, natural
23 gas, for generation of our electricity supplies.

24 And in reflecting on that this
25 Integrated Energy Policy Report also takes an

1 opportunity to look at those various issues and
2 analyze where we're going, and comes up with some
3 policy recommendations from a broad and balanced
4 perspective.

5 Why don't we go ahead and turn to the
6 first slide. Back in 1974 when the Energy
7 Commission was created, the Warren Alquist Act
8 established a very unique energy planning and
9 policy process. It basically focused on the
10 Electricity Report, followed by a Biennial Report.

11 And those reports included demand
12 forecast; a resource assessment in terms of
13 electricity supplies; looked at alternatives,
14 including alternative technologies; and looked at
15 need, the need for new power plants. In fact,
16 need was a very specific requirement. Energy
17 efficiency was factored into there; R&D was
18 factored into there to a smaller degree.

19 Later on, the Warren Alquist Act was
20 amended, and added to it was a conservation
21 report, a technology report, a fuels report; there
22 were several other different reports that were
23 added over the years. So the Commission had
24 several policy reports that it adopted over time.

25 We can switch to the next slide. As I

1 mentioned, the primary report, the primary focus
2 was the Electricity Report and the Biennial
3 Report. And as you'll notice on the slide, demand
4 forecast, the technology assessment, the
5 efficiency analysis all went into understanding
6 what the electricity system of the state was, and
7 what kind of issues we were going to be facing.

8 That then was translated into the
9 Biennial Report, which formulated not only policy
10 recommendations to the Governor and the
11 Legislature, but was the basis for making
12 decisions on individual power plant siting cases.

13 Why don't we switch to the next slide.
14 When restructuring came along things changed.
15 Basically the state's process for doing planning
16 for electricity and natural gas systems were
17 significantly weakened. The Electricity and
18 Biennial Reports were discontinued, as were the
19 other reports, the policy reports that the
20 Commission had prepared in the past.

21 The Legislature eliminated the need
22 assessment for siting of power plants. And
23 through the budget process, various budget
24 problems that the state faced, basically our
25 analytical capability in a number of the areas was

1 greatly weakened.

2 We were allowed, or I should say, did
3 special studies on hot issues. The heat storm
4 report is probably the prime example of that,
5 indicating that not only the state, but the
6 western United States, faced potential electricity
7 problems if there was prolonged hot summer
8 conditions.

9 The Energy Commission primarily focused
10 on monitoring and responding to specific issues or
11 specific crises that may develop.

12 Next slide. In response to the
13 electricity crisis, however, Senator Bowen
14 introduced, the Legislature passed, and the
15 Governor signed Senate Bill 1389 which established
16 this report that you are in the process of
17 adopting today.

18 It basically integrated all of those
19 previous reports analyses that we had done before,
20 putting them all in one process under one cover.
21 It looked at all fuels; looked at the entire
22 state; required us to look at trends and outlooks;
23 requires policy recommendations specifically being
24 made to the Legislature and the Governor. In
25 fact, has a step in there where the Governor has

1 to take the report and respond to it on his own.

2 It is required to be the basis for
3 policy and action. It was something that was a
4 very clear requirement that we consult with other
5 agencies in putting this report together, and
6 requires other agencies to consider and use the
7 results of this report in their own deliberations.

8 Next slide. The report actually is four
9 volumes. There's three subsidiary volumes that
10 Commissioner Boyd had referred to earlier. Those
11 are the electricity and natural gas,
12 transportation and fuels, public interest energy
13 strategies report. Those are the three reports
14 that are right here. And considerable time and
15 effort was spent, not only by staff, but folks
16 from industry, from the environmental community,
17 from the public at large in terms of commenting
18 and providing input to that.

19 The pile of documents over here
20 represents some, not all, but some of the input
21 that went into pulling these three reports
22 together. These three reports and this input, as
23 well as input from the hearings, then was provided
24 as a basis for going into the policy report which
25 we're considering today.

1 Next slide. The theme, as I mentioned
2 before, and the adoption was basically looking at
3 energy infrastructure, that is balancing a number
4 of different needs. And basically looking at what
5 actions are needed by the state, not only now, but
6 in the future, based upon meeting those objectives
7 and the uncertainties we face.

8 Next slide. So basically the framework
9 of this whole Integrated Energy Policy Report is
10 one that looks at forecasts and trends, not only
11 now, but in the future, for all forms of energy;
12 looks at what issues there may be for all forms of
13 energy, now and in the future; and provides those
14 policy recommendations.

15 We looked at demand, supply and price,
16 for again, all three of the major fuel areas. And
17 looked at infrastructure conditions in all of
18 those areas. In addition to that, then responses
19 that were available in terms of efficiency
20 renewables, R&D and other public interest
21 strategies were also considered. And finally, the
22 Legislature required us to look specifically at
23 environmental issues and climate change
24 implications.

25 All of that is contained in these

1 volumes that you see before you.

2 Next slide. The Committee, in terms of
3 putting together its structure, came up with this
4 diagram to illustrate basically everything that
5 I've said, where those three subsidiary reports
6 plus everything that underlies them, goes into the
7 policy report that responds to that theme about
8 energy infrastructure.

9 Public and stakeholder input has been
10 critical in this process. It is something that if
11 there had been more time I think we all would have
12 liked to have seen more public and stakeholder
13 input. It was very difficult to put a two-year
14 process into the one-year timeframe, however, that
15 we had to do this.

16 The result of the report, as I mentioned
17 before, goes over to the Governor and the
18 Legislature for their consideration. And it is to
19 be used, as I mentioned, by the other agencies.
20 With the end result of increased economic growth,
21 environmental responsibility and stability of
22 prices.

23 Next slide. In terms of the public
24 process it started back in September of 2002 when
25 the order was adopted to initiate this process.

1 Over the following months we had several meetings
2 with the other state agencies in a collaborative
3 process to try to guide and direct not only the
4 content of the report, but some of the policies
5 that would come out of that.

6 We had over 24 public hearings and
7 workshops, not only in Sacramento, but in
8 locations throughout the state in an effort to try
9 to get as many folks involved as we could. I'd
10 note there that 140 organizations commented at
11 some point or other during the whole process. And
12 I know there were easily more than 3000 pages of
13 materials when you count not only the written
14 reports, but also the materials presented during
15 the hearings.

16 The last slide. What I'd like to do
17 before I turn this back over to Commissioner Boyd
18 is say thanks from a staff perspective to a number
19 of people who contributed to this. Karen Griffin
20 was our Project Manager on this. Karen's not able
21 to be here today, but I want to give her my
22 sincere appreciation for her efforts, not only in
23 keeping this on track, but coming up with a lot of
24 the thoughts and ideas behind what you see here
25 today.

1 The three team leads, electricity and
2 natural gas was Al Alvarado; transportation, Chuck
3 Mizutani; and the public interest energy
4 strategies, Don Schwartz. Dave Abelson was our
5 legal advisor.

6 And I mentioned there were lots of other
7 staff. A majority of the staff within this
8 building at some time either provided input or
9 provided some kind of impact on this effort. I
10 think everybody had a major, or at least had some
11 role in this. Elizabeth Parkhurst, our editor,
12 comes to my mind right away. A lot of the support
13 staff, Jacque Gilbreath, Mary Ann Miller, Phil
14 Dyer, Barbara Crume. There were just a whole host
15 of people that were involved, and I couldn't sit
16 here and list them all.

17 But also I want to thank the guidance of
18 the Committee; thank the assistance of the
19 Advisors and the effort that they put into this.

20 I'd be willing to answer any questions
21 you may have on process. Otherwise I'll turn it
22 back over to the Commissioner.

23 CHAIRMAN KEESE: Thank you. Let me tell
24 everybody what we're going to do here.

25 Commissioner Boyd is going to present

1 the recommendations of the Committee. And then
2 we're going to hear from those in the audience.
3 And then, if there is anybody on the phone, we
4 will hear from them. And then the Commissioners
5 will query whoever they choose to query and have
6 discussion here.

7 So if that's all right. I have cards
8 from six people. If you plan to testify here
9 today see Margret Kim.

10 Thank you. Commissioner Boyd.

11 COMMISSIONER BOYD: Thank you, Mr.
12 Chairman; and thank you, Mr. Therkelsen, for that
13 introduction.

14 If I could have the next slide, please.
15 First I want to say to Bob, September 2002 seems
16 like only yesterday. But that aside, I want to
17 start off my presentation, I'll try to be fairly
18 brief, by reading something out of the errata
19 document. Many of the comments that we've gotten
20 over the past several weeks have been basically,
21 you know, where's this recommendation, or where's
22 that recommendation, or where's my recommendation,
23 or you didn't recommend this or you didn't
24 recommend that.

25 One of the difficulties we had is that

1 this is such a huge subject that we have many many
2 recommendations. And as you see, those of you who
3 are real familiar, as you see from my presentation
4 briefly or shortly, it'll be brief and it'll be
5 only some. We just attempted to pick out a sample
6 of some of the maybe more significant
7 recommendations.

8 But, the report is just full of comments
9 about what's going to be done, or what needs to be
10 done, or what we are already doing in working with
11 stakeholders and other agencies. And they aren't
12 found in recommendations, they're found scattered
13 throughout the report. We could not put every
14 single action in as a recommendation, so we
15 limited recommendations to major policy issues
16 that need to be brought to the attention of the
17 Executive and Legislative Branches, where there
18 may be actions that they have to take to work with
19 us and work with the other stakeholders to carry
20 out what we've identified as an issue that needs
21 to be addressed.

22 But we have put in the introduction to
23 the report the following comment to try to point
24 out to people there's more to this report than
25 just what you read in the recommendation section.

1 And please don't just go to the recommendations
2 and think that you don't find what you're
3 interested that it isn't referenced somewhere.

4 So we have said, quote, "Please note
5 that there are numerous actions that various state
6 government entities are currently undertaking or
7 plan to conduct, that do not appear below as
8 policy recommendations; however, they are critical
9 to the formation of state energy policy and are
10 discussed throughout this report."

11 So, basically I'm saying you've really
12 got to read the report in toto, almost. I don't
13 mean the 3000 pages, I mean the summary policy
14 report, to perhaps find your issue. And I would
15 also commend the staff for the incredible job
16 they've done of footnoting and cross-referencing
17 all the dialogue to many of the 3000 pages of
18 subsidiary documents.

19 With that, let me turn to the slides and
20 just say that the basic themes that we developed
21 in terms of recommendations following from the
22 themes that Mr. Therkelsen indicated that were in
23 the law, were the following that you see in arrows
24 there.

25 Harvest energy efficiency, and energy

1 efficiency turns out to be a major priority. I
2 don't want to say the number one priority, because
3 I don't want to infer a hierarchy of action,
4 because there are concurrent actions that need to
5 be taken.

6 But as we've found throughout this
7 country over the past couple of years, efficiency
8 in all three areas come out as one of the top
9 things that needs to be done, be it electricity,
10 natural gas or transportation fuels. So we have
11 emphasized the need to harvest energy efficiency.

12 We are emphasizing the need to diversify
13 our fuel types in all arenas. We need to
14 encourage customer alternatives, be it for fuel
15 types or for approaches to getting their energy
16 needs.

17 And as we return to one of the original
18 themes of this process, we have identified many
19 areas where we definitely need to improve our
20 energy infrastructure.

21 Next slide, please. I'm going to make
22 the point again. We have said energy efficiency
23 is exceptionally important in the electricity
24 area. We have identified 1700 megawatts of
25 additional peak demand reduction possibilities

1 that would augment a substantial amount of
2 efficiency measures already funded. And that will
3 yield, as you see from the chart, a significant
4 amount of megawatts. But we've identified funding
5 for an additional 1700 megawatts that would lead
6 to what we feel is a potential of 5500 megawatts
7 in total of megawatt demand reduction through
8 efficiency.

9 A very substantial number of gigawatt
10 hour savings in the electricity arena, and a very
11 substantial number of therms of natural gas can
12 also be saved.

13 Next slide, please. This, too, is a
14 very major recommendation to implement integrated
15 resource adequacy process, and to use the analyses
16 in the energy report. You will find from a
17 thorough reading of this document a very strong
18 case made for the need for an integrated resource
19 adequacy process.

20 We have made a recommendation to require
21 all load serving entities to meet the RPS goal,
22 and to accelerate that goal to 2010 consistent
23 with the recommendations of the energy action
24 plan, and to develop more ambitious targets for
25 future years.

1 And a third recommendation to evaluate
2 benefits of core/noncore market structure and
3 distributed generation.

4 Next slide, please. Moving on in the
5 electricity area we have made a recommendation
6 that I know has got a lot of attention regarding
7 consolidating bulk transmission line permitting at
8 the Energy Commission. And have already
9 undertaken, under Commissioner Geesman's
10 leadership, a 2004 process of updating the IEPR
11 leading off with this subject, just last week.

12 We have spoken to the need for LNG to
13 augment our natural gas supply, and we encourage a
14 look at the development of LNG on the west coast.

15 We have also put a priority on utilizing
16 California's own domestic sources of natural gas,
17 our own native natural gas resources. And asked,
18 and this is a new addition, we've asked for
19 legislative hearings to examine natural gas
20 quality and gas-gathering issues in this state
21 which are issues that have both been languishing
22 for many many years, all the years that I've been
23 part of the current Administration, and are just
24 not getting resolved. And so we've asked for
25 action in that arena.

1 And then one of the interesting
2 recommendations that is continued Integrated
3 Energy Policy Report that was born in the report
4 the Legislature requested regarding reducing our
5 dependence on petroleum, or recommendations
6 therefore, we have underscored again the need to
7 reduce our petroleum use in the future.

8 Next slide, please. To get at the need
9 to reduce our use of petroleum and to avoid
10 negative impacts on our economy, we've called for
11 significant increase in the fuel economy of light
12 trucks and cars that operate in California. By
13 the year 2020 we've asked for a doubling of that,
14 and, of course, that necessitates action on the
15 part of the federal government.

16 And we've called for an increase in
17 nonpetroleum fuels in order to get diversity in
18 this energy arena to 20 percent for onroad use by
19 the year 2020.

20 We've seen the need to deal with
21 permitting process for petroleum facilities to
22 optimize, if not maximize, our access to
23 petroleum, which, in spite of all other actions we
24 will take, will still be the dominant
25 transportation fuel well well into the future of

1 this state and of this nation.

2 And finally in the area of global
3 climate change, we've made a recommendation to
4 require reporting of greenhouse gas emissions on
5 the part of power plant licensing to move yet
6 another step down the road in this state of having
7 to address that issue, which is seen as a problem
8 that's mounting for our state. And to finally
9 account for greenhouse gas emission reduction
10 costs in the utility procurement decision to
11 further amplify the fact that energy and energy
12 use is the greatest contributor to greenhouse gas
13 emissions.

14 Next slide, please. Well, the schedule
15 to complete this is today's action by this
16 Commission. About a week's time, sometime late
17 next week to have printed and finalized. And then
18 transmit this report to the Governor, who then has
19 a period of time, until next February 1st, to
20 convey his energy report and his policy findings
21 to the Legislature.

22 Next slide. As Mr. Therkelsen mentioned
23 in his introduction, this legislation provided a
24 continuing biennial process with intervening
25 updates possible every year. We've already begun

1 to update the report that you see before you today
2 in anticipation and recognition of the dynamic
3 aspect of energy in this state.

4 And we'll have an update available a
5 year from now. In that update we will
6 specifically be addressing the transmission issue,
7 more ambitious renewable portfolio standards, and
8 evaluating repowering replacement or retiring of
9 existing power plants, which has all kinds of
10 ramifications for our state.

11 Next slide, and the final slide.
12 Something I've said on the road quite a bit in the
13 many workshops and hearings, the beauty of the
14 Integrated Energy Policy Report system that was
15 created by the Legislature is that it establishes
16 a real-time dynamic process for a continuing
17 dialogue on California's energy issues which don't
18 stand still from day to day and needed a forum
19 which has now been provided in order to have a
20 continuing dialogue.

21 So that, ladies and gentlemen and
22 Commissioners, is a very brief overview of the
23 many many pages of recommendations you'll find in
24 this report. Just a sample of a few. And I know
25 the devotees of energy have thoroughly reviewed

1 all of them.

2 I do want to thank emphatically our
3 staff for the tremendous effort and fine work that
4 they've put forth. And I'm frankly very proud of
5 the work they've done, and feel this is a very
6 very fine product.

7 Thank you.

8 CHAIRMAN KEESE: Thank you, Commissioner
9 Boyd. We'll start with our members of the public
10 who would like to make comments here.

11 Mr. Scheible.

12 MR. SCHEIBLE: Good morning, Chairman
13 Keese and Commissioners. I'm Michael Scheible;
14 I'm the Deputy Executive Officer of the California
15 Air Resources Board. And I'm pleased to be here
16 today to lend our agency's and our staff's support
17 for your consideration and adoption of the report.

18 Your staff has conducted an excellent
19 process of involving us, limited only by our
20 ability to come over here and wear the path
21 between our two buildings and contribute to this
22 effort.

23 The report will be very helpful to us
24 because it puts together in one place the many
25 areas where energy use impacts California in

1 different forms. And secondly, because air
2 quality and energy issues are very very closely
3 linked; whenever we try to do something to improve
4 air quality, we almost always impact energy. And
5 whenever there's an energy concern it almost
6 always has an air quality consequence.

7 So in the sense of partnership that our
8 agencies has developed over all these years I'm
9 pleased to urge your adoption and happy to answer
10 any questions you have.

11 CHAIRMAN KEESE: Thank you. Questions
12 here? Thank you, Mike.

13 COMMISSIONER BOYD: Thank you, Mike, for
14 all your help.

15 CHAIRMAN KEESE: Mr. Sparano.

16 MR. SPARANO: Good morning.

17 CHAIRMAN KEESE: Good morning.

18 MR. SPARANO: My name is Joe Sparano.
19 I'm President of the Western States Petroleum
20 Association. I've previously expressed the
21 opinions of our members on the Integrated Energy
22 Policy Report or IEPR at various hearings. And I
23 appreciate the opportunity to address you again at
24 this final adoption hearing.

25 The IEPR report is almost like an old

1 friend. There are parts of it that comfort me
2 greatly and parts which I agree with completely;
3 and then there are parts that are kind of a pain
4 and I'm not real comfortable with. But like an
5 old friend, you get to work through them, and
6 hopefully you'll hear the tone and see in our
7 written comments that tone expressed by our
8 membership.

9 But I want to compliment the staff on a
10 fantastic job. This has been an arduous task, I'm
11 sure. There's a lot of time that you've all spent
12 putting together a document that makes a lot of
13 sense and I think will have value for California.

14 My remarks today are a shorter version
15 of the full written testimony that we've already
16 submitted this morning to the Commission. That
17 testimony, and the remarks, continue emphasizing
18 our industry's view that increasing supplies of
19 all forms of energy, and not mandating a reduction
20 in demand for one, transportation fuels, is the
21 key to California's future energy success.

22 WSPA is committed to participating in
23 continuing dialogue on the energy challenges
24 facing California. And we agree with the
25 Commission statement, California must strike a

1 balance between delivering increasing levels of
2 energy and its commitment of environmental
3 quality.

4 WSPA believes in promoting a balanced
5 future energy base, that is one which is reliable,
6 cost effective, economically attractive and
7 environmentally responsible.

8 On behalf of WSPA's member companies I
9 want to applaud the Commission for the much
10 improved energy plan we see before us today. You
11 have embraced many of the suggestions contained in
12 WSPA's previous testimony, especially in the areas
13 of electricity, natural gas, permit streamlining
14 and infrastructure.

15 With regard to electricity, WSPA
16 believes in the value of establishing and
17 maintaining a private marketplace. We support
18 insuring equitable rate setting and promoting
19 market opportunities and choice for industrial
20 consumers.

21 WSPA also supports the state promoting
22 consumer generated supplies and maintaining a
23 stable electricity regulatory and policy
24 environment. We believe state policy should take
25 a visible and strong stance in support of existing

1 and new cogeneration investments. This will
2 insure continued participation by this sector in
3 providing California's future electricity supply.

4 The report responds to WSPA's concerns
5 in this area by stating that consumers and
6 businesses should be able to supply their own
7 generation through deployment of distributed
8 generation and cogeneration.

9 The report further indicates that
10 continued efforts will be required to remove
11 barriers to the implementation and establishment
12 of effective electricity distribution system
13 planning and to move to a core/noncore market
14 structure.

15 The Energy Commission has supported the
16 premise that California needs a balanced mix of
17 supply and demand side options for electricity,
18 and we agree. This will help capture energy
19 efficiency opportunities, allow for customer
20 choice, diversify our electricity system, and
21 strengthen our electricity infrastructure.

22 WSPA believes that distributed
23 generation, with emphasis on cogeneration, has
24 tremendous potential to help meet California's
25 growing energy needs as an additional generation

1 source and an essential element of customer
2 choice.

3 For natural gas the IEPR wisely
4 recognizes its inseparable link to electricity.
5 Here cogeneration offers another option for the
6 effective and efficient use of natural gas by
7 creating both electric and thermal energy.

8 You've emphasized in your report that
9 cogeneration plants can achieve heat rates that
10 match or exceed the heat rates of new gas-fired
11 combined cycle power plants and we agree.

12 On the subject of instate natural gas,
13 WSPA encourages expanded production of instate
14 resources consistent with maintaining
15 environmental protection. We also support
16 additional natural gas pipelines. Both intrastate
17 and interstate lines are needed to increase
18 available and cost effective supplies.

19 Streamlined, environmentally sound
20 permitting procedures that have been used to site
21 and build new power plants should be used to
22 facilitate more drilling of exploration wells for
23 natural gas. This should result in more timely
24 development of energy resources that remain within
25 the state boundaries.

1 The Commission has responded to WSPA's
2 concerns by agreeing that barriers to the use of
3 natural gas produced in California must be removed
4 to insure that instate production can be delivered
5 to our consumers. We appreciate your action on
6 this important matter.

7 Given the strong growth in natural gas
8 demand in Nevada, Arizona and the Pacific
9 Northwest, WSPA believes it is critical for
10 California to promote several policy initiatives.
11 These include development of additional interstate
12 pipeline capacity from Canada, the southwest and
13 the Rocky Mountains; operational flexibility to
14 utilize instate storage; development of instate
15 production capacity; and development of
16 nontraditional supply sources such as LNG.

17 We appreciate the revised IEPR's
18 recognition that California gas producers play an
19 important role in meeting the needs of natural gas
20 consumers, and that share could easily be
21 maintained or even expanded if various economic
22 and regulatory disincentives are removed.

23 These disincentives include restricted
24 access to utility gas-gathering systems; lack of a
25 streamlined permitting process for wellhead and

1 production facilities; strict utility enforcement
2 of gas quality specifications, with little
3 opportunity to blend low Btu quality gas with
4 higher Btu quality gas, thus limiting supplies.

5 In addition, limited access to land
6 where natural gas deposits exist. And finally,
7 absence of rules enabling the effective testing of
8 new gas discoveries.

9 WSPA agrees with your plan to form a
10 regulatory working group to promote cooperation
11 between state and federal regulatory agencies, gas
12 producers and other interested parties. We
13 believe this type of approach can help improve the
14 permitting process for drilling and producing
15 natural gas wells in the most cost effective,
16 environmentally sound way possible.

17 For LNG WSPA has recommended designation
18 of an existing state agency in 2004 to facilitate
19 the siting of LNG projects and to clearly
20 delineate an expedited regulatory process. You
21 have responded to our recommendation by agreeing
22 to promote the construction of liquified natural
23 gas facilities and infrastructure on the west
24 coast, and to coordinate permit review with all
25 entities to facilitate project development.

1 The Energy Commission notes that
2 completion of one or more of the currently
3 proposed west coast LNG facilities could add in
4 excess of one billion cubic feet per day of
5 additional supplies. LNG provides an opportunity
6 for California to access supplies from other
7 countries and continents. And this may result in
8 a downward pressure on Canadian and U.S. gas
9 prices. We applaud you for all your initiatives
10 in the area of promoting LNG use in California.

11 Addressing energy infrastructure WSPA
12 would like the state to strengthen California's
13 position. Specifically we want to see
14 implementation of the IEPR's recommendation to
15 upgrade refinery, marine, storage and pipeline
16 infrastructure. This will allow energy products
17 to reach California consumers in a timelier
18 manner.

19 WSPA also supports the report's
20 recommendation for an evaluation to identify
21 product flows and bottlenecks in the system. And
22 to recommend solutions.

23 The IEPR already identifies the
24 difficulty in acquiring construction permits for
25 multiple local, state and federal authorities as a

1 major barrier to expanding California's petroleum
2 infrastructure. These existing layers of
3 permitting bureaucracy are inefficient and
4 overlapping, and they contribute to the continuing
5 shortage of storage capacity.

6 We support the IEPR recommendation to
7 establish a one-stop permitting process for
8 petroleum infrastructure, including refineries,
9 import and storage facilities and pipelines. A
10 one-stop process will expedite permits to increase
11 supplies of transportation and energy products
12 available to California while still maintaining
13 environmental quality. I believe this is a key
14 component of California's future energy
15 reliability.

16 Although a one-stop permitting process
17 is a good first step there are additional barriers
18 that should also be addressed. These barriers
19 include regulations and laws that do not provide
20 certainty for businesses. For example, vague and
21 shifting requirements sometimes required under
22 environmental justice initiatives. Also ones that
23 impose requirements that are not cost effective,
24 or that are technically infeasible.

25 And finally, ones that do not

1 incorporate flexibility so businesses can utilize
2 creativity and innovation to find more cost
3 effective solutions.

4 On the subject of global climate change,
5 WSPA disagrees with the report's assertion that
6 increased reliance on petroleum would increase
7 greenhouse gas emissions and be an obstacle to air
8 quality. In addition, we question the policy of
9 requiring California motorists to bear the costs
10 of reducing a global emission greenhouse gas that
11 may only benefit other states and countries, and
12 not specifically California.

13 Finally, for transportation fuels, WSPA
14 supports a balanced, higher efficiency,
15 diversified energy portfolio to reduce upsets in
16 the marketplace. However, we do not support
17 elimination of a portion of demand, and therefore
18 supply, of clean, economically viable, petroleum-
19 based fuels or a -- is that my --

20 CHAIRMAN KEESE: No, that's --

21 MR. SPARANO: -- shift to subsidized
22 energy options with more volatile costs and lower
23 technological security of supply.

24 Thank you.

25 CHAIRMAN KEESE: I think we're closing

1 down something that's more distracting to us
2 apparently than it is to you.

3 MR. SPARANO: No, that's all right. I'm
4 just playing with it a little.

5 The CEC has noted that in spite of the
6 age of California refining facilities industry has
7 upgraded and modernized plants over the years
8 responding to meet the state's very tough fuel
9 specifications.

10 As a result of more than \$5 billion of
11 investment since 1990 we operate some of the
12 safest, cleanest and most advanced refineries, and
13 produce, according to almost all sources, the
14 cleanest burning transportation fuels in the world
15 right now.

16 The industry is also making significant
17 modifications to its terminal facilities in
18 response to the Governor's ban on MTBE. An
19 additional \$800 million investment in industry
20 infrastructure modifications have recently
21 proceeded without disrupting fuel supplies.

22 It is our fundamental belief that energy
23 policy should encourage market forces and invite
24 investments that expand the supply options rather
25 than remove a significant portion of existing and

1 future clean fuel supply.

2 The CEC's recommendation of a 15 percent
3 reduction in gasoline and diesel demand from 2003
4 level by 2020 represents a disincentive for
5 industry to make the future investments that will
6 be required to keep supply and demand balanced.
7 WSPA is opposed to this reduction target.

8 Even if the IEPR recommendation that the
9 federal government double CAFE mile-per-gallon
10 standards by 2020 is ever approved by the feds,
11 this may not, in itself, cause demand for
12 petroleum products to fall. In fact, over the
13 last several decades with increasing vehicle
14 efficiencies, demand has actually increased, as a
15 greater number of consumers have chosen to take
16 advantage of lower costs and drive their vehicles
17 more.

18 We're still mystified with the
19 Commission's demand reduction recommendation.
20 We've talked about this a lot. We still don't
21 understand why our proposed alternative of
22 expanding existing supplies of what even the
23 Commission has stated are the cleanest and most
24 affordable fuels in the world, increasing the
25 efficient use of fuels and developing increasing

1 other supplies in the state's energy portfolio
2 continues to be rejected.

3 For electricity you seem to have adopted
4 our recommended approach, but not for
5 transportation fuels. We believe you need to
6 treat both sources of energy supply in a
7 consistent manner.

8 WSPA appreciates that the CEC has noted
9 our concern about demand reduction in the final
10 report. You have stated that the petroleum
11 industry has cautioned that a strategy to
12 significantly reduce long-term demand for
13 petroleum will create disincentives for private
14 investments needed now to upgrade and expand
15 critical import and storage facilities.

16 However, we believe this notation is not
17 enough. We feel strongly that the Commission
18 needs to eliminate the recommendation for a 15
19 percent demand reduction.

20 We strongly support allowing the free
21 market to work. Free market policies are in the
22 long term best interest of the public and all
23 consumers of energy. Forced demand reductions are
24 not.

25 What will the state do if there is no

1 doubling of the CAFE standard, and if forecasted
2 petroleum product demand increases occur without
3 offsetting supply increases? Will policymakers be
4 forced to go back to recommending huge increases
5 in taxes and fees to reduce demand? If they do
6 not, which you have stated in your report that you
7 are not interested in doing, what will you do?

8 On that note thank you for allowing us
9 the opportunity to provide comments, and thank you
10 for your constructive responses to our
11 electricity, natural gas infrastructure and permit
12 streamlining concerns.

13 If we could reach agreement on
14 eliminating any recommendation to reduce future
15 petroleum demand I believe the IEPR would be a
16 very usable, positive template for California's
17 future energy use.

18 However, with the demand reduction
19 recommendations still in the report, the state's
20 energy plan may be far less successful than it
21 could be.

22 Thank you again for allowing me to
23 present our views, and I'd be happy to answer your
24 questions.

25 CHAIRMAN KEESE: Thank you, Mr. Sparano.

1 And I'll use this occasion to thank you and the
2 rest of the members of your industry. Mr.
3 Scheible and the group that's going to be
4 following up here, without your active
5 participation we couldn't have gotten where we
6 are, which I see you give us A's on some, you give
7 us C's on some and you give us an F on one.

8 But we've worked long and hard, and
9 everybody in the stakeholder group has worked with
10 us. As we've said before, this is a dynamic
11 document. We are starting immediately on the
12 revisions to it. We are starting immediately on
13 our report in two years. This document will never
14 go on a shelf. It's going to be a living
15 document.

16 Do we have any questions here?

17 Commissioner Geesman.

18 COMMISSIONER GEESMAN: Joe, I would echo
19 Chairman Keese's thanks for the constructive
20 nature of your input throughout this entire
21 process. And, as you know, I'm in agreement with
22 you as it relates to the necessity of the permit
23 streamlining. I happen to think, and I hope you
24 agree, that we can accomplish that without
25 weakening any existing environmental standard. I

1 think we can do that and should do that.

2 MR. SPARANO: That would be our goal, as
3 well.

4 COMMISSIONER GEESMAN: On the demand
5 reduction side, though, I guess I wonder what
6 significance your industry places on the
7 increasing dependence that America has experience
8 on OPEC imports, and the projections that that
9 dependence is likely to go quite a bit higher in
10 the decades ahead, particularly related to the
11 Middle Eastern countries and OPEC.

12 MR. SPARANO: Well, I'm not an OPEC
13 expert. Let me try to field at least part of the
14 question.

15 As you all know, part of the difficulty
16 with having more OPEC and even nonOPEC sources of
17 supply stems from the fact that our production in
18 the 50 United States has gone from almost 10
19 million barrels a day down to 5.7 year to date
20 average, crude oil that is. And products we
21 import, as of last week, 12 million barrels a day
22 of crude and products. We produce 20 million
23 barrels a day and some change, of products.

24 We are heavily dependent on that source.
25 I think, in part, because of our own lack of a

1 federal energy policy, because of our own
2 constraints that have been placed by the citizens
3 of this country, in many cases very appropriately,
4 on areas where there are a variety of concerns
5 about drilling.

6 But we have a pretty good record. And I
7 think there's an imbalance there, Commissioner,
8 that needs to get addressed. That could possibly
9 help.

10 What you've done on infrastructure for
11 imports I think will be a great help. While they
12 are not as secure a source of supply as products
13 and crude produced in this country, there are many
14 spots of the world from which importation is
15 manageable. Just takes a long while.

16 And I think the fact that collectively
17 we are determined to improve the infrastructure
18 and the delivery system will go a long way toward
19 easing problems in that area, particularly on
20 product imports.

21 But the fact of the matter is no one has
22 built a plant in this state for 35 years. One of
23 the reasons is economics. Plants are expensive.
24 If you build a 100,000 barrel a day refinery,
25 which is actually relatively small in terms of

1 economic economies of scale, you're going to spend
2 \$1- to \$2-billion.

3 You're going to take one to two to five
4 years in the permit process that exists today.
5 And I really do, and I know I've talked more to
6 Commissioners Geesman and Boyd, I really
7 appreciate what you two have done to address the
8 permitting difficulties and to set up a still
9 environmentally sound, but perhaps hopefully more
10 streamlined permit system that will allow
11 companies the certainty of knowing that within a
12 period of time they are likely to know that they
13 can or cannot make an investment.

14 Two to three billion dollars of
15 investment is a lot of money. And because of the
16 concept of "not in my backyard", along with the
17 costs and the permitting difficulties, we've had
18 an imbalance there that has helped create the
19 problem, Commissioner, that you observed about
20 greater dependence on Middle Eastern and other
21 nonOPEC sources of oil.

22 So my conclusion is we can address part
23 of that with what you have done with this report.

24 COMMISSIONER GEESMAN: You don't see any
25 potential production increase in the United States

1 reversing that increasing dependence on Saudi
2 Arabia, do you?

3 MR. SPARANO: I don't see, based on what
4 I know today, and based on the policies of our
5 federal government thus far, and on the policies
6 of the states with which I'm familiar, I don't see
7 us moving aggressively as a society toward
8 allowing that option to be addressed.

9 If we could, I'm not the one to comment
10 on whether or not that will allow us to get over
11 the rather large hump of imports. Right now, 9.5
12 million barrels a day of crude is a huge number.
13 But it's available. And the fact of the matter is
14 one can get that crude safely from where it is
15 produced to this country and into our refineries.

16 It certainly lacks the amount of
17 security that we would have if those barrels of
18 crude were produced on or off our own shores. But
19 it's still available. I don't see that product
20 diminishing such that it will interfere with our
21 ability to produce the products that this state
22 needs to grow into the future.

23 COMMISSIONER GEESMAN: The California
24 public, though, pretty strongly of the opinion
25 that we ought to try and reduce demand. The

1 Public Policy Institute of California survey this
2 spring found that 79 percent of all Californians,
3 including 69 percent of all SUV owners, thought
4 that the CAFE standard for SUVs ought to be
5 equalized with domestic or light duty cars.

6 It would seem to me that in terms of
7 government policy we ought to be responsive to
8 that public opinion and pursue demand reductions
9 where we can.

10 MR. SPARANO: I guess I view it in a
11 slightly different manner, and that is we're all
12 for efficiency. We've lived with it, we've grown
13 with it, vehicle mileage efficiency, efficiencies
14 within our own plants. I don't think you've heard
15 me in any of the five or six or seven hearings in
16 which I've testified say anything negative about
17 our industry's perspective on your plans to
18 introduce an ever-increasing amount of
19 nonpetroleum fuels into the supply source.

20 We just disagree fundamentally that
21 taking clean products off the table when they are
22 available for citizens to use, and I don't see any
23 rush maybe by that same 79 percent of people, I
24 don't see any rush to buy different cars than are
25 available today. I still see people driving lots

1 of larger vehicles, and improving the fuel economy
2 on those is great. There isn't a problem --

3 COMMISSIONER GEESMAN: They're dependent
4 on government policy to improve the efficiency.

5 MR. SPARANO: If government policy
6 dictates an efficiency improvement there is a
7 question of whether or not the electorate will
8 like that. And I can't predict that. I can agree
9 with your figures because I trust you. I've grown
10 to trust you and I believe that what you've said
11 is correct.

12 I don't agree that means that the public
13 at large, witness the most recent election, is
14 completely satisfied with all the government
15 policies in this state. And I think that there
16 will be some time in which we will be able to tell
17 whether there is a fundamental shift in the
18 interests of the public to have a more robust
19 economy and still have a clean environment.

20 And I think over the last several years
21 there has been a disconnect on that which has made
22 the balance unequal. We're not looking for
23 imbalance either way, just balance.

24 COMMISSIONER GEESMAN: Well, I look
25 forward to continuing this dialogue in the future.

1 MR. SPARANO: As I do, as well.

2 CHAIRMAN KEESE: Commissioner Rosenfeld.

3 COMMISSIONER ROSENFELD: I guess the
4 only part of your testimony where I actually wrote
5 the word "ugh" in the margin --

6 (Laughter.)

7 MR. SPARANO: It wasn't my time, was it?

8 COMMISSIONER ROSENFELD: No. It was
9 your attitude about global warming. Do you have
10 anything constructive to say about global warming?
11 Does WSPA have any policy whatsoever?

12 MR. SPARANO: As an organization we have
13 members that have differing views, so we do not
14 have a consensus policy within WSPA. And I'm
15 guessing some of the Commissioners may be aware of
16 that. It is not an organization that can dictate
17 the policy, but rather we embrace the consensus of
18 our members. And several are more aggressively in
19 pursuit of greenhouse gas emission goals than
20 others.

21 But the fact of the matter is, and we
22 probably have read some of the same reports, not
23 every meteorologist or climatologist agrees with
24 everything. And I think there's still a body of
25 evidence out there that needs to be examined.

1 So, our view is that more work needs to
2 be done.

3 COMMISSIONER ROSENFELD: Just wanted to
4 have you say that in public. Thank you.

5 COMMISSIONER BOYD: Mr. Chairman.

6 CHAIRMAN KEESE: Commissioner Boyd.

7 COMMISSIONER BOYD: Well, I'm sorry to
8 see WSPA venture into the global climate change
9 arena, Joe, we've got enough trouble in the other
10 one. But, nonetheless, on the transportation fuel
11 issue, I don't want to protract this much longer,
12 because we've been on the opposite sides of those
13 five, six or seven hearings you've talked about
14 that have been held over the past two years,
15 starting out with the Joint ARB/CEC report to the
16 Legislature.

17 And I guess we have -- actually I don't
18 think we have as big a difference of opinion as
19 perhaps you feel. You pointed out the lack of a
20 federal energy policy or, as I would choose to
21 say, what I view as a schizophrenic federal energy
22 policy for decades now, that of constantly talking
23 about the need to reduce our dependence and
24 diversify for security reasons, and then just
25 increasing our dependence continuously on foreign

1 oil.

2 So something is not working, and yet the
3 federal acknowledgement of that issue doesn't
4 bring any action, hasn't brought any CAFE action
5 for 20 years plus.

6 So I guess echoing Commissioner
7 Geesman's comments, and the comment we've made a
8 lot, we look forward to the continuing dialogue.

9 The beauty of this issue in this report
10 is it's certainly gotten your attention, and I
11 think it has the attention of a lot of folks. And
12 I just think the world's fifth largest economy,
13 the nation-state of California, if it's to remain
14 as dynamic as it always has, and to be somewhat of
15 a leader, because it has to be in order to sustain
16 that, needs to be responsible for forcing a debate
17 on this issue which we just seem unable to ever
18 really have, at the federal level.

19 So, while you fear we'll be unable to
20 effect CAFE, I'm a little more optimistic because
21 I think the world is changing.

22 At the same time I think this issue of
23 the ability of the world to meet its
24 transportation fuel needs needs to have more focus
25 on it. And as I've jokingly said before the pea-

1 shooter hasn't worked, so the two-by-four seems to
2 have gotten some people's attention to this
3 subject and the beauty of the process, as it will
4 be a continuing dialogue. And we'll see.

5 But with developing countries,
6 particularly China and India close behind, just
7 moving in the direction of personal automobiles,
8 in order to create industry, to create jobs for
9 themselves, and thus encouraging people to buy
10 automobiles, I think there's going to be a huge
11 collision over, you know, who's going to get the
12 fuel and how much it's going to cost.

13 And we had really better start talking
14 about diversity and security a little more than we
15 have. So if California has to be the one that
16 does it, so be it. And therefore you'll have to
17 suffer along with us as we have that debate.

18 But, thank you; and hopefully you do --
19 I know you do, you've seen and you appreciate the
20 impact you have had on the final report. We've
21 certainly taken into account a lot of the concerns
22 that your broad industry has had in many other
23 areas. And hopefully we can continue that in the
24 future.

25 CHAIRMAN KEESE: Thank you. Thank you,

1 Joe. Commissioner Pernell.

2 COMMISSIONER PERNELL: I'd like to go
3 through a different topic, just to relieve you a
4 little bit.

5 This has to do with one of your -- what
6 I thought I heard you say in terms of
7 recommendations for LNG, and the need for LNG
8 facilities. And the recommendation I thought I
9 heard was that we need a -- you would recommend
10 that a designated state agency be the siting
11 agency for LNG for the state.

12 And given, you know, our reputation and
13 transparency in siting for power plants, does WSPA
14 have a recommendation as to what state agency
15 would be that, would have that responsibility?

16 MR. SPARANO: Commissioner, I tried to
17 say it carefully in identifying an existing state
18 agency rather than a new agency with more costs
19 for the citizens of the state.

20 I personally would be very comfortable
21 with the Energy Commission conducting -- acting in
22 that role. I think you've done a terrific job in
23 electricity where siting was critical and
24 expediting of siting and completion of plants was
25 important. And I think that's a great foundation

1 to build on.

2 COMMISSIONER PERNELL: Thank you.

3 CHAIRMAN KEESE: Thank you, Joe. Mr.

4 Guliasi. One of the benefits of getting your card
5 in early.

6 MR. GULIASI: Good morning.

7 COMMISSIONER PERNELL: Good morning.

8 MR. GULIASI: This is truly a momentous
9 occasion and I want to congratulate you on the
10 excellent work done. There's much that PG&E
11 agrees with in the report. I don't think it's an
12 exaggeration to say that we agree with most things
13 in the report. But we don't agree with everything
14 in the report. I don't think anybody does agree
15 with everything in the report, or at least any
16 stakeholder group.

17 What I want to do today is just limit my
18 comments to two specific areas. And I was looking
19 through your errata sheet this morning and I see
20 you've made some changes that reflect comments
21 that parties have made.

22 And I guess let me say first I want to
23 thank you and thank the staff for listening. I've
24 found that the staff has been extremely
25 accommodating; in some ways they've even bent over

1 backwards to hear what we've said and to
2 incorporate changes based on the comments we've
3 made. So, thank you very much for the effort to
4 listen and to be responsive to our comments and
5 the comments of many others.

6 The comments I want to make today focus
7 narrowly on just two issues. One is the ramp-up
8 in energy efficiency goals and the second one on
9 distribution planning and its relationship to
10 distributed generation.

11 With respect to energy efficiency, as
12 you know, PG&E has a very long history in support
13 of energy efficiency. We consider ourselves to be
14 world leaders in energy efficiency. We have a
15 very strong and robust program.

16 We're a little bit concerned about the
17 ramp-up of the goal to achieve 1700 megawatts of
18 savings as quickly as the year 2008. As a stretch
19 goal for the state I don't criticize you. I
20 think, you know, your job in part is to create
21 stretch goals and to state broad policy objectives
22 for the state to embrace.

23 When I look at it from a more narrow
24 perspective of a utility that administers energy
25 efficiency programs, I'm a little bit more

1 concerned. Again, just from that narrow
2 perspective.

3 We already invest a lot of money in
4 energy efficiency. I'm glad that you're talking
5 here about cost effective energy efficiency
6 because we still have a lot of work to do to
7 determine what truly is cost effective, and put
8 our money into those programs that are cost
9 effective and that meet customer needs.

10 We're talking about a very significant
11 ramp-up and effort. And I just don't know if the
12 market, customers, suppliers, utilities can work
13 that aggressively on that timetable.

14 From a very narrow perspective we still
15 have to deal with the over-supply of the contracts
16 from the Department of Water Resources that we
17 have in our portfolio. We're in a critical
18 position now to balance supply and demand. And we
19 have daily decisions to make about our resources,
20 the supply side and the demand side, to try and
21 balance those.

22 We're in a position of over- supply.
23 There are times of the day, times of the year that
24 we are selling back into the market the power that
25 we have to procure from the Department of Water

1 Resources contracts. And we're selling that power
2 at a loss. So, you know, from a daily perspective
3 we just have a challenge before us to match our
4 supply and our demand.

5 So my remark here is really more of a
6 cautionary remark. I can't disagree from a broad
7 policy perspective that you need to put out
8 stretch goals. But we're going to have a
9 challenge before us, and I think the other
10 utilities are, as well, to meet that goal, given
11 our supply situation and given the very
12 significant ramp-up in speed that this goal
13 reflects.

14 We have proposed, through the Public
15 Utilities Commission proceeding, a ramp-up; it's a
16 more gradual ramp-up than the ramp-up that you
17 propose. And we'll see how that comes out in the
18 wash with the Public Utilities Commission decision
19 that's due out shortly.

20 The second issue I want to address has
21 to do with distribution planning and its
22 relationship to distributed generation. And,
23 again, looking at this from a fairly narrow
24 practical standpoint from utilities' operations,
25 we do distribution planning.

1 Distribution planning is done kind of at
2 a microscopic level daily. We conduct 200, 300
3 distribution planning studies annually. We look
4 at what happens on an operational basis every
5 month, every year. We look at what happens when
6 we hit our peaks, our seasonal peaks, our annual
7 peaks. And that provides us with the need to
8 examine how our distribution system is
9 functioning; sometimes at a very specific local
10 level.

11 We look at the customer demands at
12 system peak. And we take into consideration what
13 the best method is for insuring that we can
14 provide reliable service to our customers.

15 I'm not sure what you're getting at here
16 when you're talking about producing a more
17 transparent distribution planning process. Maybe
18 my concern here is driven by the unknown. And I
19 hope I'm not paranoid here, but it's just kind of
20 a concern about the unknown.

21 We do distribution planning and there's
22 no need to introduce new regulatory processes to
23 enable us to carry out our distribution planning
24 which we think is done very effectively.

25 The Public Utilities Commission, as

1 you've made reference, completed a rulemaking this
2 February issuing a decision this February that
3 looked at distribution planning and distributed
4 generation. We are involved in experiments,
5 experiments in part funded by your programs, to
6 evaluate how distributed generation can be used
7 effectively where it's needed to meet customer
8 concerns.

9 We're in agreement with the energy
10 action plan recommendation for increasing both
11 utility-owned and customer-owned distributed
12 generation. I hope that where you're going here
13 is not to replicate or duplicate the work that was
14 already done at the Public Utilities Commission
15 over the past couple of years in a rulemaking.
16 That rulemaking had over a month of hearing time,
17 developed a quite extensive record, and concluded
18 that at this time there doesn't seem to be a need
19 for the state to embark on a brand new
20 distribution and planning system, and to introduce
21 distributed generation. Because in some cases the
22 cost and the benefits aren't there.

23 Again, we do support the overall policy
24 objective to introduce distributed generation
25 where it's cost effective, where it meets customer

1 need. But I'm concerned that we're going to
2 embark on a process that really isn't needed. And
3 I want to just caution you as you move forward
4 with the Public Utilities Commission.

5 Those conclude my remarks. And I want
6 to thank you for the opportunity to speak today,
7 and for the wonderful work that you've completed.

8 CHAIRMAN KEESE: Thank you, Les. I
9 would say again, probably across the board of all
10 the witnesses, after a hiatus we started this
11 report at the beginning, and our staff, early on,
12 did iterations. A gas forecast which impacted
13 electricity forecast which caused a need for
14 amending the gas forecast. And stakeholders have
15 been very important in that process.

16 Hopefully the sign that there's two
17 issues still out there mean that, as Commissioner
18 Geesman puts together the next report, we will be
19 able to focus on these few issues of disagreement
20 remaining.

21 Does anybody want to answer the specific
22 question?

23 COMMISSIONER PERNELL: I'd like to --
24 maybe to ask a question. On the distributed
25 generation, let me just say, PG&E is not opposed

1 to distributed generation, are they?

2 MR. GULIASI: Absolutely not, no. We're
3 in favor of distributed generation. We need to
4 take a look at where distributed generation makes
5 sense, where it has some application, you know, at
6 a specific location. And we agree with the
7 recommendation in the energy action plan that, as
8 a state, we should embrace the policy to increase
9 both utility-owned and customer-owned distributed
10 generation.

11 COMMISSIONER PERNELL: Right. And part
12 of -- at least ever since I've been on the
13 Commission, and I believe throughout the history
14 of the Commission, we have -- part of our mandate
15 is to make sure that it's cost effective, and not
16 just to throw a lot of onerous regulations onto
17 the general public.

18 So, in your statement that, you know,
19 you support what you have said, but it has to be
20 cost effective and make sense, you know, I think
21 we're all on the same page on that.

22 MR. GULIASI: Good.

23 COMMISSIONER PERNELL: That is good.

24 MR. GULIASI: That is good.

25 COMMISSIONER PERNELL: Thank you.

1 MR. GULIASI: Okay.

2 CHAIRMAN KEESE: Thank you.

3 MR. GULIASI: Thank you very much.

4 CHAIRMAN KEESE: Commissioner Boyd, did
5 you --

6 COMMISSIONER BOYD: Just a quick
7 comment. I think you've already said it, Chairman
8 Keese, that the process that Commissioner Geesman
9 will have underway in the next year in the form of
10 an update provides the forum for additional
11 discussion of these two issues. As our Executive
12 Director pointed out in his introduction, we've
13 tried to condense two years worth of need time
14 work into the year we were given. And I'm not
15 going to take the time of this meeting to define
16 or elaborate things. I think it's better that we
17 do that in the continuing dialogue that's been
18 presented.

19 But I just wanted to thank and
20 compliment Les for his dogged dedication to this
21 process. And I've seen him in the audience of
22 many many hearings, and he's always had good
23 comments to make. And I appreciate that. And I
24 appreciate the active participation of PG&E and
25 Les in this process, and look forward to it in the

1 future, and let's pursue these questions.

2 MR. GULIASI: Thank you, I appreciate
3 those complimentary words. If I just might add, I
4 was sort of dropped into this process when it was
5 well underway. And I'm glad and proud that PG&E
6 is now participating actively in this process.
7 And we will continue to participate actively.

8 There are many issues before us. The
9 transmission issue I haven't talked about today,
10 but that's a very big issue that we are interested
11 in engaging in. And that will be an exciting
12 debate. And there are many other issues that
13 we'll be here to discuss with you.

14 Thank you. As you said, this is not
15 something that's just going to get put on the
16 shelf, but it's a living, breathing document, and
17 it opens up the possibility for an active
18 engagement on these very important issues for the
19 state.

20 Thank you very much.

21 CHAIRMAN KEESE: Thank you, Les.

22 COMMISSIONER PERNELL: Mr. Chairman,
23 just one other comment, and I was remiss, but PG&E
24 has been partners with the Energy Commission,
25 especially on efficiency matters, building

1 standards and appliance standards. So I want to
2 thank you and your organization for that.

3 I was having my comments directed
4 towards something that was in the IEPR, but I also
5 want to recognize and thank PG&E for their hard
6 work working with us on the various issues of
7 efficiency, building standards, appliance
8 standards and all those issues. So thank you very
9 much.

10 MR. GULIASI: Thank you.

11 CHAIRMAN KEESE: Thank you, Les. Mr.
12 Wayne Sakarias. Sakarias, sorry.

13 MR. SAKARIAS: Thanks very much. I'm
14 Wayne Sakarias; I'm here representing San Diego
15 Gas and Electric and Southern California Gas
16 Company.

17 There's a great need for leadership in
18 this state on energy issues, and we really
19 appreciate the Energy Commission taking that
20 leadership. And I want to encourage you to keep
21 it up. This is good; I appreciate the dialogue;
22 and I look at that big stack of work in front of
23 Mr. Therkelsen, and we're grateful that somebody
24 is attending to those things. Because it's a big,
25 big task.

1 I want to comment on not the things the
2 CEC report has done right. There's a lot of good
3 stuff in there. And I could pat you on the back
4 on all of those, but that would probably take a
5 long time. I want to talk about the areas that
6 have caused us some concern.

7 Specifically the areas of transmission,
8 renewables, briefly on natural gas, and also
9 briefly on greenhouse gases. And then on
10 distribution planning and issues on sustainable
11 energy.

12 On transmission we very much appreciate
13 the Energy Commission's interest in infrastructure
14 here. This is a big concern of ours. As you
15 know, we've been through a process of trying to
16 permit transmission and it's not an easy process
17 in the state.

18 We do think that the report doesn't
19 emphasize some issues as much as we think it ought
20 to. Specifically we think that there's too much
21 bureaucracy and regulatory repetition. And we
22 know that some of the proposals the report makes
23 are directed toward that, and we appreciate that.

24 We don't think there's enough deference
25 among state agencies and we again appreciate the

1 Energy Commission's suggestion of a coordinated
2 cooperative process.

3 We do think that the report ignores the
4 need to establish transmission corridors in the
5 state that we can access when the time is right.
6 As the state continues to grow that's going to
7 become an increasing problem. I think there was a
8 hearing last week on this issue, or it was earlier
9 this week, I don't know, where we talked about
10 that very issue. And I think somebody from my
11 company, in fact, did a little chart about how
12 hard it is to get transmission into San Diego.
13 Very very difficult. And if we can work to find
14 ways to develop transmission corridors when the
15 time is needed to build transmission that's going
16 to make things a lot easier.

17 And also if we can find a way to make
18 the whole permitting process less cumbersome and
19 time consuming and costly without sacrificing,
20 obviously, the principles that we have for
21 permitting in the first place, environmental
22 protection and things of that nature.

23 Those are things that we think are the
24 primary goals that need to be addressed. And I
25 suppose our concern here is that in talking about

1 the cooperative process that the Energy
2 Commission's report raises we go only part way
3 there. That we don't talk about corridors enough,
4 and how we can get to this point of streamlining
5 the process.

6 And secondly, this cooperation only
7 works when all the agencies agree to cooperate.
8 And I'm not sure that we have our sister agencies
9 yet have reached that point yet.

10 So those are some of the concerns we
11 have on transmission. In this area, by the way, I
12 want to just point out one error I saw in the
13 report. I've seen it in some earlier drafts where
14 it said that San Diego had experienced some
15 serious reliability problems during the energy
16 crisis.

17 The problems we had were the same
18 problems everyone in the state had, there wasn't
19 enough supply that was actually operating and
20 delivering into the grid. There wasn't anything
21 unique about San Diego. There weren't local
22 outages like I think there were some local
23 outages, for example, in the Bay Area. We didn't
24 have any of those system limitation outages. So I
25 don't know what that was referring to, but I don't

1 think there was anything unique about San Diego.

2 That doesn't mean there aren't
3 transmission issues in San Diego. We certainly
4 agree with that.

5 Let me go on to renewables. This is
6 another area where I think there are some areas we
7 would have liked to have seen some more emphasis.
8 First off, let me say that San Diego Gas and
9 Electric is determined to meet and exceed any
10 renewables requirements that apply to us.

11 Since I spoke in San Diego to the
12 Committee we've actually added two new projects to
13 the stable that we're trying to accumulative, a
14 demonstration solar project and a 40 megawatt
15 biomass plant. So we're continuing down that
16 path. We're not as far along as we ultimately
17 will be obviously. There's a lot more work to do.

18 And one concern I have it's becoming
19 increasingly more difficult to access lower cost
20 renewable resources. And as we continue down this
21 it may be more and more difficult yet.

22 And our view that I expressed in San
23 Diego, and I want to express to the full
24 Commission here, is we don't think the state will
25 achieve the accelerated targets, which we do

1 support, we don't think will achieve it unless we
2 do some other things in addition.

3 One is to find a way to streamline and
4 fast track transmission that's needed for
5 renewables. San Diego is not plentiful in local
6 renewables. We'll see how fast photovoltaics
7 develop. We think we're pretty much built out on
8 biomass. There's no geothermal in San Diego.
9 We're going to have to import geothermal. There's
10 no wind currently developed in San Diego. And the
11 wind areas in San Diego that people have talked
12 about are located in national forest land or
13 Bureau of Land Management land in the remotest
14 parts of the County.

15 So how are we going to get that to San
16 Diego load centers? Transmission is one way to do
17 that.

18 Another way to do that is through
19 tradeable credits. And what we would like to see
20 is a very quick implementation of renewable energy
21 credits that are tradeable, that allow us to take
22 advantage of resources elsewhere that we can't
23 access through transmission all the way to our
24 load centers.

25 And then finally something that we think

1 is quite useful would be to count renewable DG
2 toward RPS targets. And I know there's a process
3 underway there. Some encouragement of that in
4 this policy report, I think, would be a good
5 thing.

6 I wasn't real clear on whether the
7 errata I saw was also encouraging the expansion of
8 the RPS to cover that sector that currently it
9 doesn't apply to, or municipally owned utilities,
10 we would certainly encourage that.

11 On natural gas the only comment I would
12 have is we would have liked to have seen a bit
13 clearer recommendation that we need to implement a
14 system of firm access rights, both in the north
15 and in the south. We only have them in the north
16 right now. That's a process we've been working on
17 for an awful long time, and we keep trying, we
18 keep not quite getting there on that. So we would
19 certainly have liked to have gotten some policy
20 encouragement from this Commission on that.

21 On greenhouse gases, again I wasn't real
22 clear on the recommendation here. There was a
23 recommendation to account for the cost of
24 greenhouse gas emissions in utility resource
25 procurement decisions. And what I wasn't clear

1 was whether this was going to be an attempt to
2 attribute a cost to emissions, impute a cost in
3 making your cost/benefit analyses.

4 We would encourage the Commission away
5 from that effort. We tried this in BRPU about ten
6 years ago. I was a lawyer in that case and I
7 remember it pretty well.

8 It's really an exercise in bureaucracy
9 that isn't going to get us anyplace. It's not
10 going to benefit the consumers. What we really
11 want to do is try and find breakthroughs in
12 technologies that allow us to reduce the
13 emissions, not debate costs. And I want to talk
14 about that in a couple minutes on sustainable
15 communities and renewables and technology
16 development, and what we would like to ask you for
17 help on.

18 But we would encourage you away from
19 trying to attribute on some kind of value through
20 a regulatory process to greenhouse gas emissions.

21 On distribution planning I want to
22 follow some of the concerns that I heard my
23 colleague from PG&E express. I'm a little
24 sensitive on this for two reasons.

25 One is I was a witness in the PUC case

1 on this issue that the PG&E witness described.

2 And also we're now struggling today to get
3 distribution service back to the customers who
4 lost it due to fires.

5 The distribution planning/operation
6 process is one of making sure we can deliver
7 electricity to our customers. It's not a vehicle
8 for any other agenda than that.

9 In the PUC process what we offered to
10 do, and we can share background on this if you'd
11 like, is find ways for circuits where we thought
12 that distributed generation could be particularly
13 useful; is find ways to help distributed
14 generators participate in the process, without
15 interfering with or disrupting that process that
16 the PG&E witness described, that we all go
17 through, in just trying to make sure we have the
18 capacity there to serve our customers reliably.

19 We are, and I, personally, am very
20 concerned that we don't disrupt that process. The
21 only process that works efficiently in this state
22 is the distribution planning process. Generation
23 and transmission we've been around the barn on
24 these things. And we can't be certain today
25 whether, given the processes we have, we'll have

1 those assets in place when we need them.

2 Distribution, we always know that we
3 will, because we have a process that works. And
4 we don't have a regulatory process that slows it
5 down, which we know how regulatory processes work.

6 To be blunt about it we don't want to
7 ruin what we already have; it works. And so we'd
8 ask you to think seriously about that.

9 But the other thing I'd ask you to think
10 about is that the real frontier in distribution is
11 probably not more regulatory process; it's
12 something that you referred to in one area as
13 sustainable energy. In San Diego I discussed a
14 little bit about a program that we are promoting
15 called sustainable communities. And what this is,
16 let me just kind of share kind of the vision we
17 have.

18 That within the next generation in our
19 service territory we have a distribution system
20 network of interconnected sustainable
21 communities -- and I'm reading this from something
22 that we prepared for a process we have in the
23 PUC -- that incorporates green building material
24 and design principles, which you refer to in your
25 report for the state buildings. We think that can

1 go well beyond that.

2 Renewable energy resources; local
3 electricity generation; water conservation system
4 and waste heat recovery systems. That's the whole
5 bag of sustainable communities, and something that
6 we are promoting in a process before the PUC. We
7 see that as the real future of distribution
8 planning. And we can use some support for those
9 programs, both in the work this Commission does in
10 focusing on funding for research and technologies,
11 storage technologies, and other kinds of
12 technologies we'd use for local usage, that we
13 could incorporate into these sustainable
14 communities.

15 And also just to help us in the work
16 we're trying to do to implement these ideas and
17 concepts that we see as the program of the future.

18 So those are the comments I have. We
19 certainly appreciate you taking our thoughts into
20 consideration. And I'm open to any questions or
21 comments that you have.

22 CHAIRMAN KEESE: Thank you. I would
23 just comment that you're aware of our suggestion
24 on transmission, and you're aware that that is not
25 universally supported by all agencies. Our

1 principal concern is that the system today, and
2 perhaps for the last dozen or more years, is
3 broken. And we need to fix it.

4 It needs to be fixed by the Legislature
5 or the Governor. And it needs to be fixed so that
6 all the agencies cooperate together. That's the
7 thrust of this recommendation.

8 MR. SAKARIAS: We're with you all the
9 way on that.

10 CHAIRMAN KEESE: And it moves to another
11 forum after it starts here.

12 MR. SAKARIAS: Well, we would hope to
13 work with you on that effort. We're not -- we
14 don't much care who does what so much as we care
15 about having six different agencies that we get
16 whipsawed between.

17 And we agree with your observations
18 completely that this is something that needs work.

19 CHAIRMAN KEESE: And anybody who thinks
20 that they'd like to do transmission siting is
21 nuts.

22 (Laughter.)

23 CHAIRMAN KEESE: Any other comments
24 here? Thank you very much.

25 MR. SAKARIAS: Anybody who thinks they

1 want to bring a request for approval of a
2 transmission project may be nuts, too.

3 (Laughter.)

4 MR. SAKARIAS: Thanks very much.

5 CHAIRMAN KEESE: Thank you. Mr.
6 Alvarez. There was a clumping here, I noticed, of
7 utilities.

8 MR. ALVAREZ: Good morning,
9 Commissioners. Manuel Alvarez, Southern
10 California Edison.

11 First of all, let me, before I bring up
12 the concerns I have with the report, the document,
13 let me thank all the Commissioners during this
14 whole process. When you first opened this
15 proceeding you offered us an open door, an open
16 discussion, and I think you fulfilled that
17 obligation, and we appreciate that.

18 In addition I'd like to thank Karen
19 Griffin quite a bit. I think she did a remarkable
20 job on this particular report, starting initially
21 from the initial meetings when you started in
22 September 2002 organizing a series of meetings to
23 discuss some of the foundational information that
24 will go into the report, the analytical techniques
25 that were used. And she actually reached out a

1 long way, at least to Edison, to talk about that.

2 You're aware that during the course of
3 the restructuring a lot of the resource planning
4 activities were eliminated within the utility
5 companies. And so reestablishing those processes,
6 the Energy Commission and Karen, herself, went a
7 long way to helping us out. So we appreciate
8 that.

9 The letter I have before you, I've
10 submitted it electronically to the docket, but I
11 wanted to make sure you had it today. Basically
12 before I start let me remind you what Thomas
13 Jefferson said. "Though we may disagree in
14 specifics does not mean we disagree in principle."
15 And with that, let me address some of the concerns
16 that we have.

17 First of all, if we want to meet the
18 IEPR's objective, and that is of a reliable,
19 reasonably priced, efficient and environmentally
20 sound energy infrastructure there are still three
21 foundational steps that need to be met.

22 The first is we need a predictable
23 customer base. The second is we need an equitable
24 and reliable market structure. And third, we need
25 a durable regulatory system. I think as you stand

1 here today, neither of those are in place in
2 California, and we have to address those. Perhaps
3 future reports will be able to address those
4 issues, but those three items are still lacking.

5 The second item I want to bring to your
6 attention, and I have to make note about the
7 errata that you provided to us today, is the issue
8 of demand response. The initial report talks
9 about a deployment of demand response. We have
10 had discussions with your staff about altering
11 that particular recommendation for two particular
12 reasons.

13 One is the tools and system operations
14 are not in place to make that happen. And the
15 second one is customer acceptance of an dynamic
16 response.

17 I note in your errata -- I believe it's
18 on the first page where you changed the
19 recommendation to rapidly deploy advanced metering
20 systems if the analysis shows the results are
21 favorable to the customers and will effectively
22 decrease peak electricity use. We agree with that
23 particular statement and we agree with that
24 particular change. So I thank you for that.

25 There's still a question about what

1 rapidly means. We'll be completing the pilot
2 projects over the next year. And then what the
3 timeframe for implementation of any results of
4 those analyses and studies, I guess are left to be
5 determined.

6 The next item I'd like to bring to your
7 attention is the core/noncore recommendation. The
8 report basically suggests that the Energy
9 Commission will collaborate with various other
10 parties to formulate what the core/noncore
11 recommendations will be for the State of
12 California.

13 But there's a couple of things I think
14 you need to be aware of. And I kind of look at
15 this as kind of the adult child syndrome, in which
16 fundamentally the adult child leaves home and is
17 there a legal and regulatory responsibility for
18 the parent to take that child back once they're of
19 legal age.

20 I understand the ethical and moral
21 questions that go along with that. But customers
22 who actually chose to leave the system must accept
23 the responsibilities and accountability of leaving
24 that particular system. And those need to be
25 understood and spelled out right away.

1 A bright line of what that distinction
2 is would be useful. Adopting notions of periods
3 of length of time of leaving the system and time
4 to return would be of value. And then rules
5 dealing with cost responsibility need to be
6 addressed.

7 You also heard this morning from the
8 other two utilities about the recommendations in
9 the report on distribution planning. I believe
10 the existing recommendation calls for a creation
11 of a transparent planning process. And I guess
12 what I'd like to argue is I don't want you to
13 create a new process to undertake.

14 The errata is, in fact, redrafted where
15 it talks about a collaboration with the California
16 Public Utilities Commission on their proceeding
17 that they have undertaken, and we encourage that.
18 I'd like you to change the executive summary to
19 reflect the text that you've changed in the
20 report, itself. There's no need for the creation
21 of a process that, as my colleague from San Diego
22 mentioned, the distribution planning process, in
23 fact, the one thing that's still working in the
24 State of California. We can identify the needs
25 and we can actually move forward towards

1 investment.

2 If you want to participate in that, the
3 PUC asked the utilities to undertake that process,
4 to incorporate distributed generation. We are
5 doing that. And to the extent that we find
6 distributed generation cost effective and meeting
7 the requirements we will move forward with that.

8 So I just ask you to have your staff and your
9 organization participate in that particular
10 process.

11 The final item I want to bring up is the
12 issue of transmission. That has been an adamant
13 discussion in this particular forum for quite some
14 time. And as noted you have identified what the
15 controversies are.

16 Our concern with the transmission
17 process is it involves a large transmission
18 project. It doesn't involve the subtransmission
19 or smaller projects. Those are handled quite
20 adequately under the GEO131 process. And we think
21 we can meet our requirements there.

22 At this particular juncture we're not
23 recommending any structural change or
24 jurisdictional changes. I guess the old adage
25 says that when elephants fight the only thing that

1 gets hurt is the grass. So we'll let the
2 elephants fight the jurisdictional question over
3 the transmission responsibility.

4 And the final point I want to bring up
5 to is in the policy report there's actually a lack
6 of discussion of the role of the utilities in that
7 particular report. The utilities are the ones who
8 are responsible for providing the service. We've
9 done that for over 100 years, until at least
10 recent time the regulatory compact has been
11 broken. Re-establishing that compact is, in fact,
12 what I think we should have our utmost attention
13 put on.

14 Many of the issues that we dealt with
15 were issues of implementation, not of the
16 responsibility of the utilities to meet those
17 particular requirements of adequate service to our
18 customers.

19 And with that I'll answer any questions.

20 CHAIRMAN KEESE: Thank you. Any
21 questions here? Thank you, Manuel.

22 Mr. Scott Hughes.

23 MR. HUGHES: Thank you, Mr. Chairman and
24 Members. My name is Scott Hughes with the
25 National Biodiesel Board. And looking at my watch

1 and the schedule I see that the big thing standing
2 between you and lunch is me, so I will be quick on
3 this.

4 We at the National Biodiesel Board, and
5 on behalf of our member feedstock producers and
6 fuel suppliers, technology providers, appreciate
7 the opportunity to be here today and to continue
8 to participate in these proceedings.

9 The National Biodiesel Board and its
10 members have participated in the IEPR proceedings,
11 providing comments supporting recommendations to
12 diversify California's transportation fuels
13 market. And we submitted those in the past.

14 Yet our industry does recognize that
15 petroleum fuels will continue to be the primary
16 fuel for the transportation sector well into the
17 future here in California.

18 Our industry, in reviewing the final
19 report, is pleased to see that it does identify
20 biodiesel as an option to help diversify the
21 state's transportation fuels. We really
22 appreciate that and are happy to see that.

23 Encouraging further use of domestically
24 produced renewable fuels such as biodiesel brings
25 with it numerous benefits to the consumer, state's

1 economy and the health of Californians.

2 Many of the recommendations in the
3 report are steps in the right direction to insure
4 California's growing energy demand is met with
5 adequate supply. However, the report continues to
6 take a long-term view for diversifying
7 California's transportation fuels system as a
8 strategy for addressing supply constraints and
9 pricing volatilities.

10 Domestically produced renewable fuels
11 such as biodiesel are presently being produced in
12 the state, being used in the state, and can play a
13 significant role in the near term to address tight
14 supplies. Fuels such as biodiesel work in
15 conjunction with traditional fuels to extend
16 current and future supply while providing energy
17 security benefits, environmental benefits such as
18 greenhouse gas emissions reductions, as well as
19 other economic benefits to the state via capital
20 investment in production facilities.

21 And to kind of provide a little example
22 about this, your reports have stated that gas and
23 diesel demand are estimated to grow by
24 approximately 1.8 percent annually over the next
25 20 to 30 years. Blending a 2 percent biodiesel

1 into the traditional diesel market system is
2 actually a near-term strategy to extend those
3 existing fuel supplies and significantly help
4 alleviate supply constraints associated with this
5 projected increase in demand.

6 Additionally, blending a 2 percent
7 biodiesel into the petro-diesel stream will
8 increase the lubricity of the fuel, which is
9 important, as the state moves to the 15 ppm sulfur
10 diesel in the next few years. In fact, when the
11 Air Resources Board made their changes to the
12 diesel fuel regulation in their technical and
13 supporting documents they discussed three options
14 for increasing lubricity, and biodiesel was one of
15 those options. So you can kind of kill two birds
16 with one stone.

17 With respect to electricity, biodiesel
18 is certified by this agency as biomass under the
19 RPS. And you're starting to see interest with
20 some companies looking to use biodiesel as a fuel
21 to generate electricity. And so we look forward
22 to continue working with them and working with you
23 all in this new arena for the fuel.

24 In closing, the state has near-term,
25 domestically produced, renewable fuel

1 diversification options available to it. They can
2 extend fuel supplies and help alleviate pressures
3 on the system, as well as smooth out some of the
4 pricing volatilities.

5 As this process continues to move
6 forward in the next year and years to come, our
7 industry would encourage the Commission to examine
8 these domestically produced, renewable options
9 further; and to not push those off as long-term
10 strategies, but rather look to see how they can be
11 brought into the marketplace further in the near
12 term.

13 Thank you.

14 CHAIRMAN KEESE: Thank you very much.
15 Any questions? Thank you. As long as you brought
16 up lunch I will tell you we're going to work
17 through. We usually do it.

18 I have three more speakers, and then
19 Commissioners. So we will continue straight.

20 Mr. Kelly.

21 MR. KELLY: Thank you, Commissioners.
22 I'm Steven Kelly with the Independent Energy
23 Producers Association. And I, too, would like to
24 extend my thanks to the staff, Karen Griffin, and
25 particularly the team leaders, who worked so hard

1 on this report.

2 And also the Advisors, who, I know, over
3 the last 30 to 45 days have been very involved
4 with trying to get the last iteration of this
5 report, which I believe is significantly improved
6 in terms of form and substance. I think you've
7 articulated where your goals are, and made those
8 much more clear. I appreciate that and thank you
9 for doing that. And I think it's a much better
10 work product for stakeholders and for the
11 Legislature to address.

12 I very much applaud this report; I think
13 it's a very good report, very clear and very
14 strong. I particularly want to focus on the
15 electricity section and talk about some of the
16 things that I think are very good in this.

17 Particularly where you call out for
18 resource adequacy requirements as a cornerstone
19 for the state's energy policies. I agree with
20 that and I think it's something that's lacking
21 right now for the state. And we look to this
22 agency to take the leadership role in not only
23 articulating what those requirements are, but
24 helping on working for over the next year about
25 how to certify compliance and verification that

1 the goals are being met, which get to a very
2 technical detail.

3 But we need your participation,
4 continuing participation in working out those
5 details. I look forward to working with you on
6 that.

7 I also think that you're very insightful
8 in trying to move forward in linking the retail
9 marketplace and pricing structures with the
10 wholesale markets, your metering process. And I
11 applaud you for that.

12 And then finally reiterate my support
13 for the report that speaks for the need for
14 integrating transmission planning and sighting.
15 And that is a critical issue that we'll be
16 addressing, I think, in this process over the next
17 year or so. And we support you in that, and think
18 it's very valuable work.

19 On market design, while this report
20 doesn't speak specifically to market design, I
21 think it does do a couple important things that
22 will help enhance how the markets evolve over the
23 future, and I applaud you for that.

24 Specifically I'm talking about your
25 direction on an advocacy for customer choice and

1 customer alternatives to make the market work.
2 And specifically the core/noncore initiative that
3 you've laid out here, which I think the last time
4 I spoke I recommended that you take a stronger
5 position on that, rather than simply explore it.
6 Let's talk a little more specific about what we're
7 going to do about it, and I think that's what
8 you've laid out here. And I think that's going to
9 be good.

10 And then finally I do want to
11 congratulate you on articulating what I call
12 public policy values that I think are going to be
13 important for us all. And here I'm speaking
14 primarily of throughout the document the language
15 that speaks for more openness and transparency in
16 planning and decision-making in California energy
17 markets.

18 And also language that speaks for and
19 recognizes that competition can be a useful tool
20 to providing ratepayers and consumers value while
21 you do energy infrastructure development and in
22 procurement, in transmission, in whatever. Those
23 two critical values, I think, that are talked
24 about in this report are going to be -- are
25 important, and we ought not to lose sight of them

1 as we move forward in discussions with the
2 Legislature on these matters.

3 And with that, I conclude my thoughts.
4 I think it's a very good report.

5 CHAIRMAN KEESE: Thank you, Mr. Kelly.
6 And thank you in particular for being around at
7 the front end and pushing us a lot.

8 MR. KELLY: Well, it's a good report.

9 CHAIRMAN KEESE: It was push, push,
10 push, and it helped us focus ourselves.

11 COMMISSIONER BOYD: Yes, thank you,
12 another familiar face in this room.

13 MR. KELLY: I look forward to next year.

14 CHAIRMAN KEESE: Any questions? Thank
15 you.

16 Dorothy Rothrock, please.

17 MS. ROTHROCK: Thank you. I won't be
18 long. My name's Dorothy Rothrock. I'm with the
19 California Manufacturers and Technology
20 Association. And I want to spend 30 seconds doing
21 a little whining first, because the manufacturers,
22 I believe, are the sort of leading, bleeding edge
23 of the California economy.

24 And everything we do here in terms of
25 policy development, as well as implementation,

1 seems to hit us first and it hits us hardest. And
2 we are the most sensitive to the things that you
3 do.

4 With that in mind, and I know that it's
5 no secret the difficulties that manufacturers have
6 had in California, so I won't go into detail, but
7 with that in mind, we've looked at this report and
8 we have just a few comments based on what we feel
9 are the real-live, bottomline, near-term, next-
10 two-years issues, because that's what's going to
11 determine what happens to a lot of manufacturers
12 in California.

13 In the electricity arena we're really
14 pleased with the embracing of direct access, a
15 core/noncore model for the electricity system.
16 And on the issue of rates, which is probably
17 second only to reliability in terms of importance
18 to us, the comments on dynamic pricing we also
19 embrace and note that the report says that large
20 customers generally are on real-time meters. Now
21 what kind of price signals they're getting may not
22 be exactly right. But that's happening, again,
23 with the largest customers who, for whatever
24 reason, tend to be the first that get to use the
25 new systems that you're imposing on the economy,

1 because we're the biggest users and perhaps
2 there's a feeling that we can most afford it.

3 However, on that issue what we really
4 hope you do recognize is in the report you say air
5 conditioning is really what drives the peak.
6 That's where we need control in order to get
7 control of the peak. And that's not us. We have
8 flat loads; we have process loads. It's very
9 difficult to shift load when you've got an ongoing
10 manufacturing plant.

11 And we don't want to be penalized by
12 tariffs that are pure in terms of real-time
13 pricing if it damages our ability to do business
14 in California. At least we want you to be very
15 aware of that kind of impact on our processes so
16 that you're not inadvertently, in order to be
17 pure, imposing costs that we just can't handle,
18 chasing jobs out of California and having that
19 kind of outcome.

20 On the renewables and energy efficiency
21 issues, right now a lot of those efforts are
22 funded through the public goods charge. And under
23 law those charges are capped so that the amount
24 that we pay as a portion of our bill can't exceed
25 a certain level. And that was a very important

1 issue to us as we were negotiating the
2 continuation of that program. And don't want to
3 see the targets that are set in this document
4 breaching and broaching that, so that that becomes
5 subject to perhaps change.

6 Again, we're very cost sensitive. It
7 was very important to us. And while we understand
8 the interests associated with it, we can't stand
9 any more costs for that.

10 On the fuel issues, the petroleum
11 issues, I spoke last time on this issue. And
12 wanted to reiterate that again on the price side
13 we can't handle the thought that in order to get
14 the demand reduction you might impose taxes or
15 fees or some other kinds of price controls on
16 petroleum products.

17 We're big users of those products.
18 Don't want to see any price increases. And don't
19 want to see that use as a tool in order to get
20 those demand reductions.

21 One of the Commissioners mentioned using
22 a two-by-four to get the attention of the federal
23 government. I think sometimes we feel we get hit
24 over the head whenever the State of California
25 uses a two-by-four against the feds.

1 I won't repeat what Joe Sparano said
2 about what could be done to improve the supply on
3 the petroleum side, but do want to emphasize that
4 CMTA embraces those concepts.

5 Permits, streamlining, eliminating
6 duplicative regulations at the local level and
7 state level, consolidated permitting, one-stop,
8 all good. We need to look at supply enhancement
9 in California.

10 That concludes my comments. Thanks.

11 CHAIRMAN KEESE: Thank you very much.
12 Questions? Commissioner Geesman.

13 COMMISSIONER GEESMAN: Dorothy, I was a
14 little surprised you didn't say anything about
15 transmission.

16 MS. ROTHROCK: That pregnant pause was
17 my thinking about transmission.

18 (Laughter.)

19 MS. ROTHROCK: But I was taking Bill
20 Keese's comments to heart, and I would be nuts to
21 talk about transmission.

22 (Laughter.)

23 COMMISSIONER GEESMAN: Very well.

24 CHAIRMAN KEESE: -- we'd be nuts to want
25 to do transmission siting.

1 MS. ROTHROCK: Oh, okay. Okay. It's
2 very important. I mean I don't mean to be flip; I
3 mean it's critical, but what can I say. I mean I
4 have to say it's critical for reliability reasons;
5 it's also critical on the price issue, but not
6 nearly as much.

7 My members are trying to survive the
8 next two years. And that was really the basis for
9 my comments. We do have a lot of opinions about
10 long-term planning issues, and it's very critical.
11 And I understand that that's what the purpose of
12 the document is. Okay.

13 CHAIRMAN KEESE: Thank you, Dorothy.

14 Mr. Larry McCarthy.

15 MR. MCCARTHY: Mr. Chairman and Members
16 of the Commission, Larry McCarthy, California
17 Taxpayers Association.

18 I'd also like to commend you for your
19 report, for an open collaborative process. I
20 think the testimony this morning underscores that
21 certainly moving in a positive direction.

22 There is a taxpayer perspective on one
23 aspect of this report that is of great concern to
24 us, and it is the 15 percent demand reduction
25 provisions.

1 We think that this sets up taxpayers of
2 California, sets us on a collision course with a
3 tax increase. We think that no matter how you cut
4 it, we're going to get to that place at some point
5 as a result of the mandate.

6 As you know, the California economy is
7 burdened heavily now with costs. Dorothy Rothrock
8 has identified some of those to which we would
9 add, you know, workers compensation, our
10 unemployment insurance program is going to be
11 broke in March. Disability insurance program is
12 over-obligated and there will be cost increases
13 there.

14 Many of these events occur because
15 Sacramento policymakers are not looking carefully
16 enough, in our view, to some of the long-term
17 consequences of policy directions that are
18 established.

19 We need to stay competitive for jobs and
20 investment. Energy is a critical part of this;
21 transportation fuels are a critical part. Again,
22 we think that the way that this report addresses
23 the demand reduction sets us up for a tax or fee
24 increase in the future.

25 We would like to see all Sacramento

1 policymakers give great -- exercise great care
2 with regard to regulation. We need to avoid over-
3 regulation. We need to avoid over-burdening our
4 economy at this time. The loss of jobs, the
5 problems we're facing in attracting investment are
6 great.

7 Efficiency standards are clearly a
8 desirable goal. We applaud the efforts and the
9 discussion of that in the report. However, we
10 need to eliminate any arbitrary goals for reducing
11 demand. We think that this puts taxpayers,
12 consumers and business in California at risk.

13 Again, I don't want to avoid
14 complimenting you, certainly, on an overall great
15 report. We like much of what's in there. And I
16 think this hearing today demonstrates that. But
17 this provision is of grave concern to us.

18 Thank you.

19 CHAIRMAN KEESE: I would trust you're
20 applauding our statement in that we do not support
21 tax increases --

22 MR. McCARTHY: One of the problems --

23 CHAIRMAN KEESE: -- on vehicle fuels?

24 MR. McCARTHY: Yeah, one of the problems
25 is that in the report there seems to be, you know,

1 we seem to keep moving back. We'd like to see
2 efficiency accomplish the objective. But the
3 report said, if that doesn't occur we need to
4 evaluate strategies and not move immediately to
5 increase costs.

6 And it is the continued movement back in
7 the direction of cost, which are taxes and fees.
8 And we think that that's the challenge that you
9 face, is establishing that sort of goal brings it
10 inevitably back. And it's on a collision course
11 with a fee or a tax down the road.

12 CHAIRMAN KEESE: Thank you. Any other?

13 COMMISSIONER BOYD: Mr. Chairman, if I
14 might, as a 40-year veteran of government in
15 Sacramento, it never ceases to amaze me, and I
16 guess I have to begrudgingly congratulate the
17 petroleum industry for managing to spook other
18 people into this concern.

19 Dorothy's comment, which I let go, with
20 regard to the two-by-four, which is aimed at, you
21 know, aimed at a different group, the feeling that
22 you're going to get hit on the backswing somehow
23 or another, is just totally inconsistent with my
24 opening remarks, and the remarks that have been
25 made practically in every hearing we've ever had

1 about our strong recognition up here of the
2 taxpayers, the California economy, et cetera, et
3 cetera.

4 And, Mr. McCarthy, I appreciate your
5 looking out for your constituency, and always
6 looking behind things. But, try as we might to
7 get a consistent constituency of people here in
8 California to join with us to help put pressure on
9 the federal government, rather than avoid any fear
10 of a flashback, can't possibly be deluded by a
11 concern that, well, you're not going to succeed
12 there, so you're obviously going to come back at
13 us with rates, fees and taxes and what-have-you.

14 So, try as we might to dilute that
15 concern, we continue to fail. And so we'll just
16 have to continue to try to stay on the course we
17 want to stay at. But we're basically trying to do
18 efficiency in all energy areas, and we're trying
19 to get a consistent constituency to work with us
20 on that thrust.

21 And so I know when a government person
22 tells you, don't worry about it, look under that
23 rock. But, nonetheless, let us try to continue to
24 work together to move the ball forward on not
25 hurting the California economy, recognizing that

1 that's what provides the resources money that pays
2 for the good things we'd like to do once it's re-
3 established.

4 And so we're very cognizant of the
5 impacts and implications on California business,
6 the California economy and what-have-you. And if
7 you can look behind some of these recommendations
8 you'd really see a desire to help the California
9 economy. But, it's tough; I appreciate that. So
10 we're ever mindful of the concern.

11 CHAIRMAN KEESE: Thank you, Commissioner
12 Boyd. We're finished with our witnesses. Would
13 you like to start our discussion by making a
14 motion?

15 COMMISSIONER BOYD: Well, Mr. Chairman,
16 thank you. And I didn't realize we're done, so a
17 couple of closing comments.

18 It's been said over and over again
19 thanks to the staff, and I'll just repeat that
20 for the umpti-umpth time, but it's a sincere
21 compliment. This is quite a task and it's had a
22 lot of rough spots, but they have done a
23 tremendous job.

24 Karen Griffin has been singled out, and
25 sorry she's not here today, multiple times for

1 getting this ball rolling and the work that she's
2 done with her team leads that Mr. Therkelsen made
3 reference to. The 3000 pages there and the three
4 summary books are all part of what she helped pull
5 together.

6 I did want to, and Mr. Kelly stole a
7 reference -- my thunder, reference to the
8 Advisors. And Thom Kelly, who is the Policy
9 Advisor to Mr. Therkelsen, for the efforts they've
10 made over the past several weeks, because they had
11 to help Chairman Keese and I, the Commission, and
12 all Commissioners to boil this down to what you
13 would accept as a reasonable and meaningful
14 document that will get some action in this state.

15 And there are lots of things you do
16 reference and lots of things you don't dare
17 reference in a policy report like this. And it's
18 been noted we gingerly moved around the market
19 situation. This is a forward-looking report, and
20 that's an issue yet to be dealt with.

21 I don't want to single out any
22 particular Advisor because they all -- some worked
23 harder than others, but they all made significant
24 contributions. So I don't want to err and
25 inadvertently leave somebody out.

1 But it's right up until very late last
2 night Advisors were still advising and working and
3 what-have-you. And it's really been much
4 appreciated.

5 Elizabeth Parkhurst has been referenced.
6 She's our editor. She has poured over the words
7 of this last report repeatedly in an attempt to
8 make us understandable. And has come quite close
9 here in this last iteration.

10 So, with that, and again the caveat that
11 this is just the beginning of a dialogue that will
12 probably far exceed my term up here into the
13 future with regard to California's energy
14 situation, I would like to move adoption of order
15 03-1112-01, which is the order adopting the report
16 entitled the 2003 Integrated Energy Policy Report.

17 COMMISSIONER PERNELL: Second, Mr.
18 Chairman.

19 CHAIRMAN KEESE: With errata?

20 COMMISSIONER BOYD: With errata.

21 COMMISSIONER PERNELL: With errata.

22 CHAIRMAN KEESE: Thank you. We have a
23 motion and we have a second. Any discussion?
24 Commissioner Geesman.

25 COMMISSIONER GEESMAN: Jim, this is

1 quite an accomplishment. I've been privileged to
2 sit in on the Committee hearings on the draft
3 report around the state, and I certainly want to
4 congratulate you the extent to which you have
5 sought out the viewpoints of the stakeholders we
6 ordinarily see, and then a lot of other interests
7 and individuals that we don't often hear that much
8 from.

9 And I think you've done, as evidenced by
10 the comments this morning, an outstanding job of
11 integrating those various comments into a tapestry
12 of policy recommendations that I think will
13 captivate the Executive Branch and the Legislative
14 Branch in the year ahead.

15 I think you've been able to, despite, I
16 know, a lot of doubts and self doubts on your
17 part, carry out the letter and spirit of Senator
18 Bowen's SB-1389, and put this Commission back on
19 the map in terms of having a constructive role to
20 play in the state's evolving energy policy.

21 I think you've set quite a standard for
22 the reports to follow, and I certainly want to say
23 from the bottom of my heart that I'm very grateful
24 and very proud to be on the same Commission with
25 you for the outstanding work that this represents.

1 COMMISSIONER BOYD: Well, thank you. I
2 didn't expect that and I very much appreciate it.
3 But I like to think of myself as the coach of the
4 team, and it's a real team effort. Just happen to
5 have a good team, and I've learned something over
6 the years I've been here in Sacramento about
7 coaching. So, thank you.

8 CHAIRMAN KEESE: Thank you. Any other
9 comments?

10 COMMISSIONER PERNELL: Yes, Mr.
11 Chairman.

12 CHAIRMAN KEESE: Commissioner Pernell.

13 COMMISSIONER PERNELL: Thank you, Mr.
14 Chairman. I just want to echo, and you've heard
15 this throughout the proceedings, both from staff
16 as well as the Commissioners and the speakers,
17 what a great job that everyone has done on this
18 report.

19 And as I sit here and listen, and so I
20 want to echo that, but as I sit here and listen
21 there is some comments but none of them were
22 totally negative at all.

23 And I would appreciate -- and what that
24 does is says that this report was transparent, it
25 had stakeholders and everybody was welcome to

1 participate in the process.

2 I would just like to point out a couple
3 of things that I think is important. California
4 does have some challenges ahead of it. And the
5 report kind of points some of those out. I mean,
6 we talked about the need for more resources and
7 the energy efficiency arena. There's a lot of
8 concern about transmission. LNG, I think, is
9 going to be critical in the future.

10 And so this report kind of lays out what
11 some of those issues are and how we go forward.
12 Now, granted, everyone is not going to be one
13 hundred percent happy about the report, but I can
14 say with all fairness that I think everyone had an
15 opportunity to participate.

16 So, Mr. Chairman, let me just make one
17 other observation, and that is, as I participated
18 in the hearings up and down the state, one of the
19 issues that I've always said is that we're about
20 creating good public policy. And I'll go back to,
21 and I might be offbase here a little bit, but I'll
22 go back to the siting of energy facilities in
23 California. And I think, this is a personal
24 opinion, that it makes good public policy to have
25 that under one umbrella, and to coordinate with

1 other agencies, but surely we need to have an
2 expedited way in which to address California's
3 energy needs.

4 And I think in the siting arena, whether
5 it be LNG facilities or transmission or baseload
6 plants or whatever, that needs to be under one
7 umbrella.

8 So, with that, Mr. Chairman, as I said
9 before I'm happy to second with the errata.

10 CHAIRMAN KEESE: Commissioner Rosenfeld.

11 COMMISSIONER ROSENFELD: I didn't put a
12 lot of time into this report. The only hearing I
13 went to was lazy, the coming downstairs into this
14 room. But I really do want to say from the point
15 of view of somebody who tries to follow energy
16 policy around the world and in the other states,
17 Jim and the team have done a remarkable job of
18 keeping California at the forefront of energy
19 policy, as usual. And, great job.

20 COMMISSIONER BOYD: Thank you, Mr.
21 Efficiency. You've scored big in this report.

22 CHAIRMAN KEESE: Thank you. I've given
23 most of my comments to the stakeholders for your
24 participation, which I solicited early on, and I
25 think that as the process worked we got fuller and

1 fuller stakeholder participation.

2 Of course, I also thank staff. With
3 other responsibilities, I missed a number of
4 events. Commissioner Boyd and Commissioner
5 Geesman took over the road show hearings. Our
6 staff did the editing. My staff and others did
7 the final editing.

8 I think it's a worthy product and it's a
9 product that will become better as the years go
10 by.

11 We have a motion and second.

12 All in favor?

13 (Ayes.)

14 CHAIRMAN KEESE: Opposed? Five to
15 nothing.

16 Thank you, everyone.

17 (Whereupon, at 12:13 p.m., the special
18 business meeting was adjourned.)

19 --o0o--

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